

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 STR-04 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 7585

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E.O. 11652: N/A

TAGS: ETRD, RP

SUBJECT: MOTOR VEHICLE DOMESTIC CONTENT REQUIREMENTS

REF: STATE 218027

1. THERE IS LITTLE SIMILARITY BETWEEN AFL-CIO PROPOSAL FOR GIVEN PERCENTAGE OF DOMESTIC CONTENT IN IMPORTED VEHICLES AND PHILIPPINES RULES GOVERNING ITS AUTOMOBILE SECTOR.
2. TO BEGIN WITHN THERE ARE NO INDIGENOUS MANUFACTURERS OF AUTOMOBILES. THUS, ALL AUTOMOBILES IN PHILIPPINES ARE FOREIGN IN ONE SENSE OR ANOTHER.
3. BASIC PHILIPPINE OBJECTIVE HAS BEEN TO DEVELOP AN AUTOMOBILE INDUSTRY. MANY YEARS AGO, HIGH DUTIES AND RESTRICTIONS ON FOREIGN EXCHANGE FOR BUILT-UP AUTO IMPORTS LED TO ESTABLISHMENT OF AN AUTO ASSEMBLY SECTOR BASED ON CKD IMPORTS. PROGRESSIVE CAR MANUFACTURING PROGRAM (PCMP), WHICH INTRODUCED LOCAL CONTENT REQUIREMENTS, WAS ESTABLISHED ABOUT THREE YEARS AGO IN ORDER TO TRANSFORM ASSEMBLY INDUSTRY INTO A MANUFACTURING INDUSTRY.

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4. FIVE FIRMS, REPRESENTING FORD, GM, CHRYSLER/

MITSUBISHI, TOYOTA, AND VW, WERE SELECTED FOR PCMP. EACH FIRM HAS DESIGNATED SPECIFIC MODEL(S) FOR INCLUSION IN PROGRAM. COMPANIES ALSO PRODUCE TRUCKS AND UTILITY VEHICLES, WHICH ARE NOT PRESENTLY SUBJECT TO LOCAL CONTENT REQUIREMENT, AS WELL AS OTHER CAR MODELS. LATTER ARE IMPORTED CKD ON BASIS OF FOREIGN EXCHANGE ALLOTMENTS DETERMINED BY COMPANY'S FOREIGN EXCHANGE SAVINGS OR EARNINGS UNDER PCMP PROGRAM.

5. PURPOSE OF PCMP IS A. BY LIMITING INVESTMENT ACCESS TO FIVE FIRMS, TO PROVIDE A LARGE ENOUGH MARKET FOR EACH PARTICIPATING FIRM SO THAT IT CAN ECONOMICALLY MANUFACTURE LOCALLY, WITH ATTENDANT FOREIGN EXCHANGE SAVINGS AND JOB CREATION; B. THROUGH USE BY AUTO COMPANIES OF SUB-CONTRACTORS TO CREATE AND EXPAND INDUSTRIAL SKILLS VITAL TO INDUSTRIALIZATION.

6. TO SUMMARIZE: A. IMPORTS OF BUILT-UP VEHICLE ARE, IN EFFECT, NOT ALLOWED; B. IMPORTS OF CKD VEHICLES OTHER THAN AUTOS ARE PERMITTED, WITHOUT LOCAL CONTENT OR OTHER RESTRICTIONS; C. IMPORTS OF CKD AUTOS ARE PERMITTED ONLY BY FIVE PCMP COMPANIES, ONLY FOR MODELS NOT INCLUDED IN PCMP, AND ONLY UP TO SPECIFIED FOREIGN EXCHANGE LIMITS; AND D. LOCAL CONTENT REQUIREMENT APPLIES ONLY TO INVESTORS, I.E. TO AUTOMOBILES IN PCMP PROGRAM, AND NOT TO IMPORTS.
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